BNY

iFlow

MARKET MOVERS

November 19, 2024

Maelstrom

“One is and is not in the center of the maelstrom of it all.” – Harold Pinter

“There is that might-have-been which is the single rock we cling to above the maelstrom of unbearable reality” – William Faulkner

Summary

Risk off as markets digest the escalation in Ukraine/Russia war after Putin advances a pledge to expand his nuclear doctrine - allows use in response to conventional attacks - after Ukraine uses Western missile on Russian territory. The Hong Kong mass trail of pro-democracy activists also added to geopolitical concerns but there was a relief rally in US bonds beyond haven flows with whispers that Trump is close to nominating former Fed Warsh as US Treasury Secretary. Polymarket odds are 44% for Warsh. The overnight economic data was lost in the maelstrom with RBA minutes hawkish, with Swiss Trade surplus large and with EU C/A big - all that didn’t matter as USD remains bid, bonds rally and stocks fell globally. The notable flows were in JPY which returned as a safe haven. On the day ahead - Earnings from Walmart and Lowes, Canada CPI matters as does the US housing starts and more from any ECB or Fed speakers on rates.

What’s different today:

- **German 10-year Bund yields drop to 4-week lows at 2.27%** led by safe haven demand as geopolitical tension rises and ECB dovish signals on rates rise -with BOI Panetta urging faster cuts.

- **iFlow shows something different** in G10 flows with DKK buying along with JPY and USD and SEK. The selling in AUD, EUR and GBP continues. Mood is negative as is carry and trend is now dropping there as well. The equity moves are mixed with Australia, Canada, Norway and Sweden seeing inflows while APAC is negative except for Thailand and India. Bonds were bought in US and sold in rest of G10 while in EM the selling was uniform in EMEA, APAC and LatAm except for Brazil and Malaysia

What are we watching:

- **Canada October CPI** expected up 0.3% m/m, 1.9% y/y after -0.4% m/m, 1.6% y/y - with core expected flat at 1.6% y/.y and trimmed mean CPI flat at 2.4% y/y - key for BOC rate cut pace.
- **US October housing start**s expected down -1.5% to 1.33mn from 1.354mn but with permits up to 1.43mn from 1.425mn.

Headlines

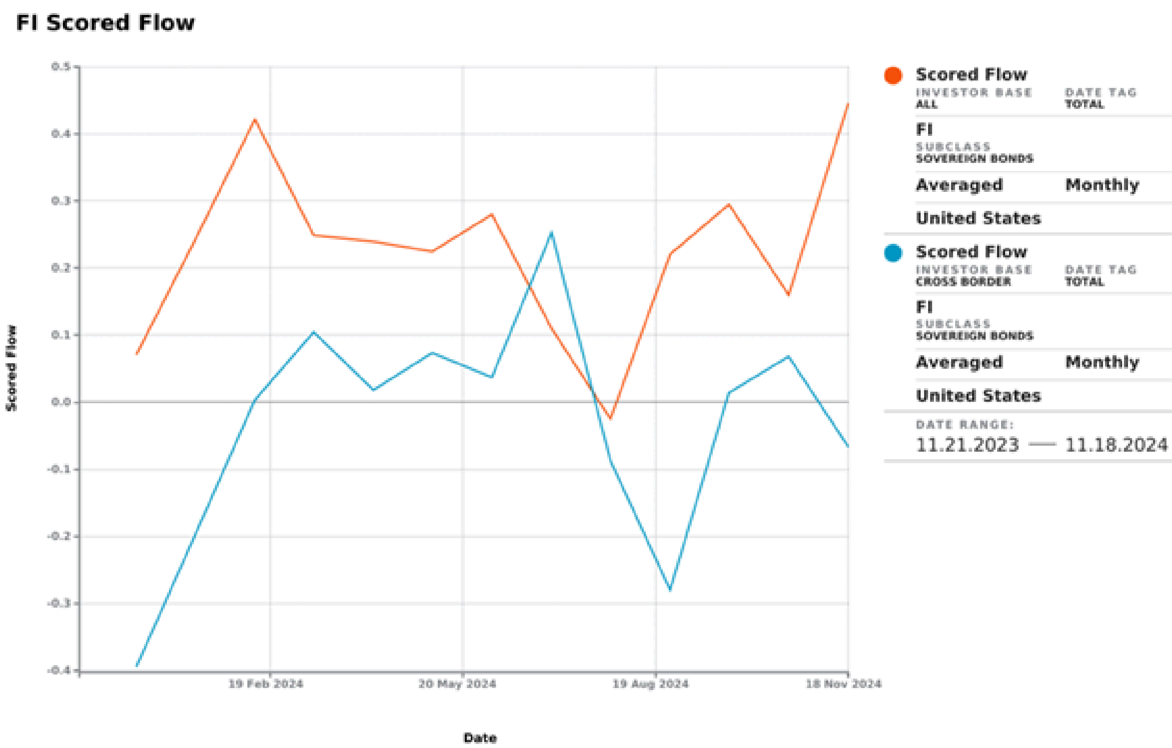
- RBA Minutes: Highlight agreement to keep policy restrictive due to inflation risks – ASX up 0.89%, AUD off 0.1% to .6500
- Hong Kong jails 45 pro-democracy activists sentenced in mass trail - while China pledges to open markets support Hong Kong – Hang Seng up 0.44%, CSI 300 up 0.67%, CNH off 0.15% to 7.2390
- Swiss Oct trade surplus jumps CHF2bn to 6bn- most on record as exports up 10.2% m/m led by jewelry/cars Swiss Mkt off 0.9%, CHF flat at .8830
- Norway 4Q consumer confidence rises 0.8 to -14.4- still 11th quarter of negative sentiment – NOK off 0.3% to 11.031
- German and Finnish foreign ministers blame sabotage for severed Baltic cable communications – DAX off 1%, Bund 10Y yields off 4bps to 2.33%
- Eurozone Sep C/A jumps E5.5bn to E37bn - now 2.8% of GDP - while final CPI for October confirmed at 2% y/y - and3Q labor cost index moderates 0.4pp to 4.6% y/y – EuroStoxx 50 off 1.1%, EUR off 0.3% to 1.0565
- US TIC data show Japan and China selling US bonds into election – US S&P500 futures off 0.2%, 10Y US bond yields off 4.5bps to 4.37%, USD Index up 0.15%

The Takeaways:

The worry about geopolitics may matter but the behind-the-scenes story for markets remains one about monetary policy and rates driving risk. ECB dovish talk, ongoing

US funding worries and how the Fed handles the US economy into 2025 all matter still. The TIC data confirmed what iFlow already showed – cross-border buying of US bonds stalled into the election. However, the US demand for bonds continues and that is a larger story about allocations, taxes and year end. There is also the key focus on Trump's Treasury pick – with hope that Fed Warsh gets the nod, there is less worry about how the Fed and Treasury work together to help fund the government. The key stories today will be about how the economy is doing with the Walmart guidance for year higher and with the markets waiting for the Nvidia earnings tomorrow. AI investments, hopes for deregulation and more M&A, and lower rates may be sufficient to hold risk worries at bay or at least make a market for traders. The barometers are changing with BTC and Gold less important than JPY and US bond spreads.

Exhibit #1: iFlow US sovereign bond buying



Source: iFlow, BNY

Details of Economic Releases:

1. **Norway 4Q consumer confidence rises to -14.4 from -15.2 - better than -18 expected -** still 11th quarter of negative sentiment. Consumers were less pessimistic about the country's economy next year (-1.4 vs -8.4 in Q3) and the past year (-50.5 vs -54.8). Additionally, households became more optimistic regarding their financial situation for the coming year (15.7 vs 13.8) and were less negative about their

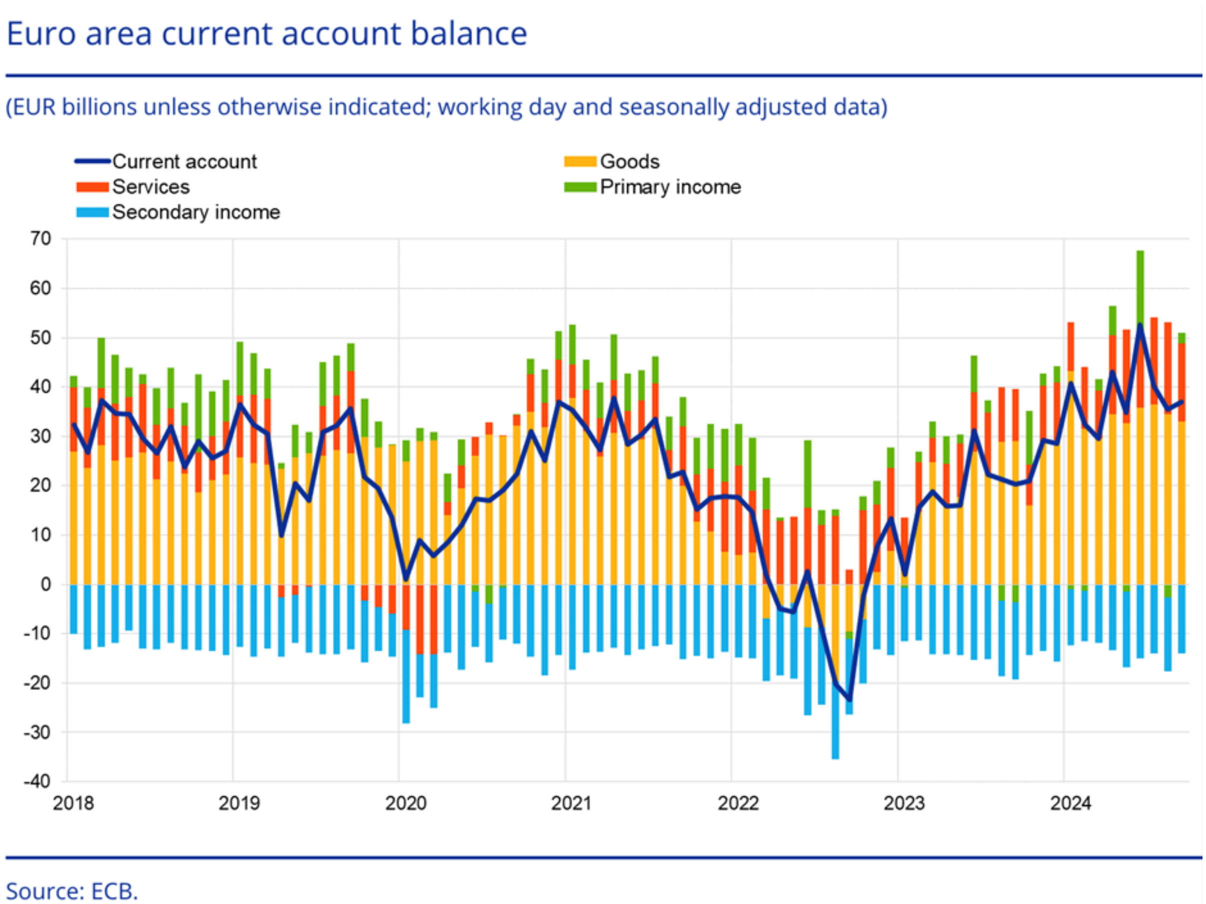
finances over the past year (-10.4 vs -12.2). Meanwhile, consumers' willingness to make large purchases deteriorated (-33 vs -28.2).

2. **Swiss October trade surplus widens to CHF6n after CHF4bn - better than CHF4.1bn -** new record high. Exports surged 10.2% m/m to CHF 24.4 billion, driven by sharply higher sales of jewelry (+28.8%), vehicles (+23.7%), chemical and pharmaceutical products (+15.6%), and watches (+5.1%). Among trading partners, demand rose notably in Slovenia (+105.3%), Brazil (+29.4%), South Africa (+22.2%), and Japan (+20.1%). Meanwhile, imports grew at a much slower rate of 1.8%, reaching CHF 18.4 billion, with increases in purchases of chemical and pharmaceutical products (+6.6%), jewelry (+5.7%), and paper and graphic products (+1.9%). By trading partner, imports primarily grew from Slovenia (+54.6%), Hong Kong (+30.7%), Egypt (+29.4%), and the Netherlands (+21.3%).

3. **Eurozone 3Q Labor Cost Index flash rises 4.6% y/y after 5.0% y/y - more than the 4% y/y expected.** Wages and salaries per hour worked grew by 4.5% annually, down from 4.9% in Q2, while the non-wage component saw a 4.9% rise (vs 5.6%). Across the currency bloc’s key industrial sectors, labor costs increased by 5.0% in construction, 4.6% in industry, and 4.6% in services

4. **Eurozone September current account surplus widens to E37bn after E31.5bn - more than E27bn expected.** On a non-seasonal adjusted basis the surplus rose to E51.5bn from E34.6bn in September 2023. The goods surplus increased to €33.6 billion from €29.4 billion, and the services surplus went up to €22.2 billion from €17.2 billion. Also, the primary income surplus rose to €9.1 billion from €3 billion and the secondary income gap narrowed to €13.3 billion from €15 billion.

Exhibit #2: Does the EU C/A surplus mean the EUR is too cheap?



Source: ECB, BNY

Disclaimer & Disclosures

Please direct questions or comments to: iFlow@BNY.com

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